

Renewable Energy Taskforce: Roles and Responsibilities for Implementing and Evaluating the Pilot Program for the Procurement of SRECs

Updated April 20, 2011

Purpose

This document is intended to delineate the roles of various stakeholders and regulatory agencies in

- (1) implementing the Pilot Program for the Procurement of SRECs,
- (2) evaluating the Pilot Program, and
- (3) developing a procurement program for the 2012 compliance year.

Renewable Energy Taskforce (RETF)

The RETF has the statutory responsibility for making policy recommendations for the broad outlines of the REC and SREC markets, taking into account a variety of considerations including establishing balanced market mechanisms, creating the least impact on suppliers, minimizing cost, establishing revenue certainty for investors, maximizing in-state renewable generation and local manufacturing, and ensuring that residential, commercial and utility scale solar energy systems are financially viable.

The RETF will review the Pilot Program, analyze the state of the SREC market and develop general recommendations on tier structure, market or administrative pricing, and administrative issues that impact policy. The Taskforce will review the aggregate data needed to understand the overall shape of the SREC market. The Taskforce will analyze data on the difference between administratively set prices and auction prices, the number of SRECs bid into the tiers, the prices of the different tiers (including SREC prices for smaller projects bidding up to higher tiers), the prices differences between built installations and those under construction, and how many projects use the local materials and labor bonuses.

The Taskforce will meet twice monthly to review the auction data, review analyses of SREC market data, and discuss straw-man proposals for procurement year 2012, focusing on broad policy questions including procurement of SRECs for systems installed before December 1, 2010. The Taskforce will discuss and prioritize policy questions to consider in designing a new procurement program. The RETF will recommend a procurement program for 2012 that answers these broad policy questions, and leave most of the administrative details to DPL.

In designing a new procurement program, the Taskforce has identified these top priority questions:

- How can the program be designed with regard to the objective of “maximizing in-state solar renewable energy generation and local manufacturing,” recognizing that REPSA includes 10% bonus provisions for in-state workforce and manufactured content?
- How should consideration be given to pre-existing solar installations in Delaware?
- Should SREC prices be set by competitive bidding, administratively-set pricing, or some combination of the two?

- Should procurements continue to be by tier? If so, how many should there be? What should be the dividing line between different tiers? How many SRECs should be procured in total relative to projected need for SRECs and what should be the division by tier?

The Taskforce has also identified a further list of policy questions:

- How can the program be designed to minimize ratepayer costs given the other objectives set forth in REPSA?
- How should consideration be given to systems that received larger Green Energy Program incentives than under the current programs?
- If administratively-set pricing will be used again, what has been learned from the Pilot Program that would be useful in future determinations of prices?
- To what extent should Delmarva enter into long-term SREC purchase contracts relative to purchases of SRECs on the spot market?
- From a planning standpoint, how will the potential for reduction of Delmarva's SREC purchase obligations associated with the Bloom Energy fuel cell project be managed with respect to decisions to enter into long-term SREC purchase contracts?
- What should be the process for making future decisions that have competitive implications, such as allocating SREC quantities among tiers and setting prices?

RETF members will offer straw-man proposals for how to shape the SREC procurement market for the next program year. These straw-man proposals may include market data, use of the PV Planner (with all data inputs), a review of procurement programs for other states, and economic costs and benefits. The RETF will weigh a variety of analyses and straw-man proposals, and may decide to task a technical working group to produce a report on a particular analysis request by the RETF. Such analysis could be done by a single member of the Taskforce or by several together in an informal group. Such a group would not vote or make recommendations but would provide analytical summaries to the Taskforce to then discuss and vote if relevant.

All publicly available data will be provided when available to each Taskforce member for review and suggestions. All policy analysis and straw-man proposals generated for Taskforce consideration will be distributed as soon as possible. Proposals for Taskforce consideration and adoption will be distributed to members two weeks before a vote. [April 11, 2012]

The RETF is not charged with designing the details of DPL's SREC procurement, such as program specifics, contract details, etc., as these are DPL's responsibilities and the RETF is only recommending the broad structure of the procurement program. The RETF will not be involved in execution of the Pilot Program.

Sustainable Energy Utility (SEU)

The SEU will implement and manage the Pilot Program on behalf of Delmarva Power. The SEU has engaged a Procurement Agent to administer the Pilot Program. The SEU has set up a website, <http://www.srecdelaware.com/>. DPL, DNREC and the PSC will maintain links to the website.

The SEU has entered into a contract to buy SREC from the Dover Sun Park for three years starting in October, 2011, and sell them to DPL in the following three years—a practiced referred to as banking. The SEU's banking ability is necessarily limited by the SEU's funding and the overall SREC market. Banking simply transfers SREC demand from one program year to another; it does not create additional demand for SRECs.

As a Taskforce member, the SEU may submit market or policy analysis or a straw-man proposal for the coming program year.

The SEU (via a subsidiary LLC) has hired a Procurement Agent, SRECTrade, to manage the Pilot Program. Acting on behalf of the SEU, the Procurement Agent will administer the SREC auction, buy SRECs from project owners, collect and maintain all pertinent data, verify and monitor projects, provide billing statements to the SEU, and transfer the SRECs to DPL.

Delmarva Power (DPL)

Delmarva Power is responsible for administration and execution of the Pilot Program. DPL will buy SRECs through the Pilot Program to comply with the Renewable Energy Portfolio Standards Act (REPSA), which requires retail electricity suppliers to purchase a portion of their retail load through the purchase of renewable energy. DPL expects to purchase 11,472 SRECs through the Pilot Program. DPL may make administrative changes in the Pilot Program, provided such changes do not affect cost recovery, in which case the PSC may review.

DPL estimates its RPS requirements as part of its procurement planning. DPL will review these requirements with DNREC and the RETF to inform the development of the 2012 procurement plan. DPL retains the responsibility of submitting a docket for procurement of 2012 SRECs to the PSC. DPL may choose to collaborate with the Taskforce on developing such a procurement plan.

DPL is still free to buy SRECs on the open market over and above the requirements of the Pilot Program. Any aspect of RPS compliance not specified in the Pilot Program remains the responsibility of DPL. DPL is required to submit an annual report to the PSC verifying its compliance with the RPS.

DPL is contracting with the SEU to administer the Pilot Program. DPL retains its responsibility for meeting the requirements of REPSA. Operational questions regarding the Pilot Program or future procurement programs are best answered by DPL and any entities (including the SEU) it may contract with to manage procurement.

As a Taskforce member, DPL may submit market or policy analysis or a straw-man proposal for the coming program year.

Public Service Commission (PSC)

As the regulatory agency responsible for setting reasonable electric rates for Delmarva Power, the PSC reviews the reasonableness of the costs incurred by Delmarva Power for compliance

with the RPS, including costs associated with the Pilot Program. In this role, the PSC will evaluate the Pilot Program, focusing on tier structure, competitive or administrative pricing, overall program cost, and the role of the SEU. The PSC will also look at some more qualitative questions, such as how the process worked for bidders, how the procurement agent performed and the timeliness of the auction process. The PSC will engage an independent consultant to evaluate the Pilot Program. In addition, the PSC will work with other RETF members to review the SREC demand for compliance years 2012 and beyond. See Order 8093 for more details.

The PSC also has a commissioner who is a Taskforce member. Because of the PSC's separate role in evaluating Delmarva Power's costs, the commissioner typically abstains from voting as a Taskforce member. However, Commission staff, and its consultant, may participate in the workings of the Taskforce in an advisory role. PSC staff will also share the findings and any recommendations of the independent consultant retained by the PSC to evaluate the Pilot Program.

The PSC also certifies generating units for compliance with the RPS, including the in-state multipliers for local labor and materials. Forms are available on the PSC website. The PSC publishes rules on implementing the RPS. The PSC provides information on the RPS at <http://dep.sc.delaware.gov/electric/delrps.shtml> and the Pilot Program at <http://dep.sc.delaware.gov/electric/11399.shtml>. The PSC will post a link to the SEU's Pilot Program webpage. The PSC determines whether DPL has met its RPS requirements, and if not, determines the appropriate Alternative Compliance Payment (ACP). [Revised by PSC staff]

The Taskforce makes recommendations to the Public Service Commission:

Del. Code 26

§ 360. Renewable energy trading.

(3) The Taskforce shall be formed by October 26, 2010, and be staffed by the Delaware Energy Office. The Taskforce shall make recommendations to *the Commission*, the Secretary of DNREC, the Board of Directors for rural electric cooperatives, and the pertinent local regulatory authorities on the abovementioned subjects for their consideration. Upon making these recommendations, *the Commission*, DNREC, the Board of Directors for rural electric cooperatives, or the pertinent local regulatory authorities, as appropriate, shall promulgate rules and regulations, or adopt policies, based on the Taskforce findings.

PJM

PJM's Generation Attribute Tracking System (GATS) (<http://www.pjm-eis.com/>) tracks RECs. PJM approval is required for interconnection on larger projects (1 MW or larger). PJM's EIS operating rules require irrevocable transfer of RECs unless the buyer and seller agree. In other words, sellers cannot pull out of an agreement under the Program in order to sell SRECs to another buyer.

DNREC

The Director of the Division of Energy & Climate serves as chair of the RETF. DNREC will collaborate with other stakeholders in evaluating the Pilot Program and focusing on priority questions for designing a new procurement program. DNREC will conduct analysis of the SREC market (collaborating with other members when appropriate) and will also offer straw-man proposals on a new procurement program to the RETF.

DNREC administers grants for new renewable energy projects. Grant amounts affect the SREC price DPL pays under the Program.

The Taskforce makes recommendations to DNREC:

Del. Code 26

§ 360. Renewable energy trading.

(3) The Taskforce shall be formed by October 26, 2010, and be staffed by the Delaware Energy Office. The Taskforce shall make recommendations to the Commission, *the Secretary of DNREC*, the Board of Directors for rural electric cooperatives, and the pertinent local regulatory authorities on the abovementioned subjects for their consideration. Upon making these recommendations, the Commission, *DNREC*, the Board of Directors for rural electric cooperatives, or the pertinent local regulatory authorities, as appropriate, shall promulgate rules and regulations, or adopt policies, based on the Taskforce findings.

Municipal Electrical Companies (DEMEC)

The Taskforce makes recommendations to municipal electrical companies:

Del. Code 26

§ 360. Renewable energy trading.

(3) The Taskforce shall be formed by October 26, 2010, and be staffed by the Delaware Energy Office. The Taskforce shall make recommendations to the Commission, the Secretary of DNREC, the Board of Directors for rural electric cooperatives, *and the pertinent local regulatory authorities* on the abovementioned subjects for their consideration. Upon making these recommendations, the Commission, DNREC, the Board of Directors for rural electric cooperatives, *or the pertinent local regulatory authorities*, as appropriate, shall promulgate rules and regulations, or adopt policies, based on the Taskforce findings.

Delaware Electrical Cooperative (DEC)

The Delaware Electrical Cooperative is not a part of the Pilot Program. DEC may elect to develop and implement a comparable program to the RPS starting in 2013.

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As a Taskforce member, DEC may submit market or policy analysis or a straw-man proposal for the coming program year.

The Co-op has revised its grants for PV projects effective January 1, 2012. Grant amounts affect the SREC price DPL pays under the Program.

The Taskforce makes recommendations to the Delaware Electrical Cooperative:

Del. Code 26

§ 360. Renewable energy trading.

(3) The Taskforce shall be formed by October 26, 2010, and be staffed by the Delaware Energy Office. The Taskforce shall make recommendations to the Commission, the Secretary of DNREC, *the Board of Directors for rural electric cooperatives*, and the pertinent local regulatory authorities on the abovementioned subjects for their consideration. Upon making these recommendations, the Commission, DNREC, *the Board of Directors for rural electric cooperatives*, or the pertinent local regulatory authorities, as appropriate, shall promulgate rules and regulations, or adopt policies, based on the Taskforce findings.

All other Taskforce Members

All Taskforce members may submit market or policy analysis or a straw-man proposal for the coming program year.

These roles are summarized in this chart:

	RETF	DPL	PSC
Management of Procurement Agent contract		X	
Execution of Pilot Program		X	
Compliance with RESPA		X	
Review of Pilot Program re cost recovery			X
Evaluation of Pilot Program, operational			X
Analysis of Pilot Program auction results	X		X
Evaluation of Pilot Program overall design	X		
Policy objectives of 2012 procurement program	X		
Overall Structure of 2012 procurement program	X		
Details of 2012 procurement (e.g., contracts, program specifics, etc.)		X	
Approval of 2012 procurement in full			X